



“Coal India Limited  
Q1 FY21 Earnings Conference Call”

September 04, 2020



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**Moderator:** Ladies and gentlemen, good day, and welcome to the Q1 FY2021 Results Call of Coal India hosted by Emkay Global Financial Services. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Vishal Chandak of Emkay Global Financial Services. Thank you, and over to you!

**Vishal Chandak:** Thank you very much. Ladies and gentlemen, welcome to the Q1 FY2021 Earnings Call for Coal India. It is a pleasure to host Shri Pramod Agarwal, Chairman and Managing Director of Coal India for this call. Thank you very much and without much ado, I would hand over the call to Shri Pramod Ji for his opening remarks which would be followed by a Q&A. Over to you Sir!

**Pramod Agarwal:** Thank you Vishal for hosting this concall. I was expecting that in this month at least I would be able to travel to Mumbai and to meet all of you physically, but then this COVID situation does not look like improving, but I wish that after third quarter we should meet and meet physically, so that there is more interaction with all the investors.

Q1 was rather tough in the country as we know that from March 20, 2020 onwards things started deteriorating and from March 21, 2020 in West Bengal and many other areas of the country local lockdowns were declared and local curfew was declared on March 22, 2020 there was Janta Curfew and from March 25, 2020 onwards general clampdown was declared and general lockdown was declared. So, our dispatches started getting affected from the last week of March, up till May it was severely affected.

Cumulatively overall in first quarter our dispatches were reduced by 22%, but if we compare it with degrowth in the GDP, GDP was also down by 23.9% and power demand also reduced by somewhere near to 25%, coal-based power reduced by 25%. So naturally the demand of coal also reduced by 22% though our production did not reduce that much and our production reduced only by 11.67%, it was mainly because we were carrying a large stock of about 75 million tonnes, so we are trying that the coal stock should not increase any further because that leads to deterioration of the quality of the coal and that has got negative impact otherwise also because there is likelihood of local oxidization and catching of fire by coal and it has happened in the small places one or two small places not in a larger manner, but then there was risk of coal catching fire hence we try to keep our



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production subdued, but our OB removal increased by about 11%, so overall excavation even in first quarter was up by 5%.

Situation started improving in July, but unfortunately in July we face a general strike of 3 days and because of that our production and offtake slightly suffered and in July the production was down by 3.1% and offtake was down by 6%. This trend completely reversed in August and our production started increasing at the rate of 7% and offtake also improved by 9%.

In August OB removal increased by about 36% and overall if we see from January to August the overall excavation has increased by 11% because our OB removal has been substantial, and this will help us to ramp up our production in coming months. I am quite hopeful that all the demand of the coal of the country to a large extent will be led by Coal India and our production will definitely increase in coming months and we will see a very positive results in the third quarter because the demand the way it has increased in August and September the way it is again in the last two, three days the demand has increased so I am quite hopeful the results will be much better because of all these things our profit was reduced from PBT reduced from about 6000 Crores to 2800 Crores and PAT reduced by 2077 Crores.

In PAT there was a decrease of about 55% , but I am happy to note that our cost per tonne reduced from Rs.1393 per tonne to Rs.1360 per tonne this 3% reduction despite the fact we paid all the contractor labors, despite the fact that we did not reduced the salary of our general workers, so we bore all the expenditures, and the production was less yes the cost of production per tonne reduced substantially that indicates that our cost controlling measures were slightly effected.

We further tried to improve our costing so that profitability can be increase. In this regard we have already taken a decision that about 23 mines we have instructed that these mines which are very unproductive and where the cost of production is very high should be closed down and I hope if these mines are effectively closed, even if we pay the labor all the dues without asking them to work we will say something like 500 Crores to 600 Crores, but the net impact will be much better because many of these labors will be transfer to places where they are required instead of continuing at the same places.



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Something like that we will keep on doing so that. Similarly, we have instructed that three of this which are very unproductive, and which are very old should be close in coming months we are in the process so the impact will finally be available in the next quarter.

That is the physical and financial achievement. Besides that, last time, I had indicated that by September and our 35 FMC projects will be tendered out. I am happy to inform you that out of the 35, 32 have already been tendered out and the other three as I have promised that by September end they will be tendered out, so they will be put to tender so they will also looking to tender one will be done in the 2, 3 days and the rest I will try that next two are also put to tender in next 15 days.

Besides we have identified 14 more projects are on phase II and they will be put to tender in due course of time. We have prepared timelines for this project and all these projects will be completed by 2023-2024 and this will help us meeting lot of, to increase the efficiency of our production and evacuation and secondly in reducing the whatever environment solution etc., are created and whatever criticism that Coal India is facing will be reduced substantially.

Today the mechanized evacuation is done only of 150 million tons but if all these projects are completed we will reach, the mechanized evacuation level will reach to 650 million ton and which will be a very quantum them this will be one of the most effective and fruitful investment that Coal India has made.

We have identified 21 railway lines which will cost 3515 Crores and these lines will be completed in a time bound manner in next five years. We are planning that most of this would be tendered out in next six, seven months. We have always been talking about the rail projects. We are closely monitoring those rail projects and third line has been sanctioned by DPR with estimate of 894 Crores is under the approval of CCL once it is approved by the board the project for treatment of this project will start Jharsuguda-Barpali-Sardega line the DPR is under preparation by the railways and I expect that within this 145 days they will submit the DPR and once that is done then the doubling of line will be start we have already given the in-principal approval and we have deposited Rs.58 Crores in Southeastern Railway to prepare the DPR so this is one project which is and in this project all the land related issue has been resolved and some of the enactment works have also been completed. So, completing the railway line should not take much of time.



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Another issue was related to CURL in which there were some problem with trail master and there was some objection from Chhattisgarh Government and Mahagenco we have resolved with the issue all I have agreed that this is sure and another alternate, if required alternate alignment can be found so that this project can be completed in another one and a half years.

There was some issue with IRCON in CWRL which was again resolve and financial closure has been done and in this railway lines two packages of civil engineering work for the complete length of the line of 135 kilometer have been put to tender by IRCON and so now this project will also move on.

About the projects, I wanted to inform that we have approved 52 projects costing more than Rs.500 Crores each are having capacity of 3 million tonne out of this 52 projects 41 projects are following their timeline and 11 projects have slightly delayed but delayed project are ongoing projects most important thing is see most of the projects the total outlook today which was is as the plan and I do not have right now the figure that how much that they are going to produce ultimately but then when they are completed they will produce, that whatever they are produced that even today is basically that is as per target so production wise we are not delayed in these things.

These are the two, three project related issues which I wanted to highlight then safety. I do not want to take much of credit but we want God's will, last year we have 29 fatalities this year it has reduced to 19 this is a substantial achievement and in a year or two we like that because of mine accidents nobody should die, we are creating awareness among the workers we are now preparing small video clips and to all the workers we are trying to send that video clip and once or twice in a month they get this video clips about the accident how the accidents are happening and what can be done to avoid accidents and I feel that this is generating a lot of awareness among the workers we are targeting of 150000 workers right now we want to achieve all the workers within another month and this safety awareness will definitely help us in reducing our accident and fatality.

For environment work which is very critical because we always face one producer in that, in the environment since we are not doing adequate but I will like to inform that last year we planted about 19 lakhs plants about 800 hectares of the land this year our target was now to plant 18 lakhs more saplings over 735 hectare of the land and out of this 18 lakhs, 14 lakhs have already been planted and so we will definitely, these plants will definitely help



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in improving the environment in the area in which we are working these plants are over and above what we do for forest in form of compensatory afforestation. We have installed 23 continuous ambient air quality monitoring stations and we are installing 20 more this was the year Q1 is so with the help of this in most of the areas we can continuously monitor the air and then air quality and we will know that if there is some problems somewhere we can take effective steps to control them, besides that we have hired Nidhi Kolkata to steady the benefits of the mechanized conveyor system is highly loading system in coal loading and transportation etc.

So that this we can know how the money that we are spending on first mile connectivity of creating the HP etc., what would be the impact of that on the environment we know that it will have a very positive impact but then it will help us in quantifying the impact that it will help. In this COVID situation CIL and its subsidiaries have been working very hard to help the State Governments and Central Government to mitigate the impact and to help the people who are in distress in this context CIL have deposited about Rs.221 Crores in phase I out of this Rs.60 Crores was the contribution from the employees beside and CIL has contributed Rs.20 Crores to Madhya Pradesh CM relief fund and SECL has contributed Rs.10 Crores CCL has contributed Rs.20 Crores to Jharkhand state disaster management front CIL has supported Rs.20 Crores to West Bengal disaster management authority and CIL has also contributed Rs.20 Crores to Maharashtra State Disaster Management Authority.

Besides CIL and its subsidiaries have distributed at the time of distress about 3 lakh packages of food to the migrant labors and other people and we have tried to support to provide drinking water and food to almost all the trends that we are passing through our area of operations, so that the people who were traveling could get some food and drinking water. For medical support also we are very proactive and 35 hospitals that we have in our areas we have identified about 1200 thus only for COVID central hospital in BCCL Dhanbad is supporting the district hospital there similarly CCL Ranchi central hospital at Ranchi, Gandhi Nagar hospital and hospital at Naisarai is providing continuous support to the state government in fighting the COVID related issues. Mahanadi Coalfields Limited has created 500 bedded hospital at Bhubaneswar SECL has supported in creating upgrading two district hospitals at Bilaspur and Surguja to support the state government in fighting the COVID besides we have taken many more steps and distributing face masks and sanitizer when the things had earlier started now the things have become very common and people do not need all those supports but at that time all the support that Coal India provided was very critical for the society and it was appreciated by all.



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For improving our working mechanism and improve the processes in the last six months we have held many conferences with vendors and our customers, and we have continuously improved our system. Actually in the last six months we have rewritten our all the three working manuals that is work manuals, the CNC manuals and the purchase manual and contract management manuals and this will help us in implementing our projects more effectively, similarly on the side of their customers we have introduced the concept of **(inaudible) 17:14** and in that also we have made the systems very simple and straight so that customers do not face any problem.

One problem that we have been facing was related to receivables although the receivables are very high compared to what it was at the March end but in July and other, we are seeing reversal. In July our receivables reduced by Rs.500 Crores and in August it is therefore reduced by Rs.1700 Crores. So positive trend has started emerging and as I had mentioned in the last conference that from October onwards situation should improve significantly, I am quite hopeful that from October onwards our receivables will start reducing drastically.

Thank you very much I have taken quite some time in introducing that subjects but then many things were done so I thought that I should brief the whole before I take the questions.

Vishal can we start with questions.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Amit Dixit from Edelweiss. Please go ahead.

**Amit Dixit:** I have two questions, the first one is on the sales target as per the annual report the production target for us is 710 million tonnes for FY2021, but I believe have you revisited this target and if possible can you let us know the subsidiary wise target for FY2021.

**Pramod Agarwal:** You are right we are thinking of revisiting we have proposed to the ministry that either should be revised because the way things have been in the last five months or this for this full year it would be very difficult to achieve 710 target, so we had revised the target to 660. I do not have right now the targets of subsidiary wise, but I will get them, and I will tell you in due course. It is more and because and SECL is 172, ECL is 52, this BCCL is 29 this is I am just trying to recollect from my memory and BCCL is 29, CCL is 74, NCL is 113, WCL is 60, SECL is as I said 172 or MCL is 150 so this is that revise target.



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**Amit Dixit:** The second question is on e-auction premium, I mean, I understand that in September we have actually foregone any premium that we would charge, but now things are on an uptick so is there a plan to revisit this particular strategy.

**Pramod Agarwal:** See e-auction we are not forgetting the thing the issue is the market there was hardly any demand. So, we reduced that this size in order so that we can be more attractive and there is at least some offtake as we know there was offtake was less by 22% in first three months. Even if there is a demand and we keep this types at low level it does not mean that we are making any sacrifice because if there is demand in auction the prices will go higher and then we will get that premium and I am happy to inform that in August there was an average premium of 9% so the demand is increasing so the prices will definitely increase means auction price will definitely improve.

**Amit Dixit:** But we are keeping the base price at the similar level.

**Pramod Agarwal:** No, we will review it in September and let us see how the things pan out because in July there was more, we are more hopeful that the way the economy was picking up but in August then again there was slight slowdown in the phase that was created in July could not be sustain I am talking about the general economy although coal demand has increased in August further from July and in September it is still higher so let us see how the demand comes if there is adequate demand so we can even think of increasing this price so we had decided that by September end we will take a call and that we will review it.

**Amit Dixit:** Okay sir, thank you so much I have couple of more questions, but I will come back in the queue. Thanks, and all the best.

**Moderator:** Thank you. The next question is from the line of Rahul Jain from Systematix Shares & Stockbrokers. Please go ahead.

**Rahul Jain:** Sir one is on your contingent liability so for example I was just see annual report so we have seen on surge in the income tax with it contingent liability and there the total number is now quite large much more than our networth, just wanted to know what are the thoughts on this.

**Pramod Agarwal:** Contingent liability is not on account of income tax mainly not on account of there are two, three main issues on contingent liability first is there was some violation of mining EC etc., because in certain places we produce slightly higher coal than it was and it is long there. So



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the contingent liability because of that has been created in state of Jharkhand they raise the demand in Chhattisgarh they did not raise the demand but that is there but we are quite clear that it is unlikely to have impact but since the orders are there we are fighting it out and the competent authority has put stay on whatever the demand that Jharkhand government had raised at the highest level there was discussion between the our minister and the Jharkhand chief minister and I think that in coming months something should get sorted out. Secondly there was issues related to income tax also, but then income tax most of the liability which we see in our due have been cleared in the last tranche of Vivad se Vishwas scheme but there are certain cases in which they have completely be sell out the cost incurred on removing the overburden which I saying is completely unreasonable so we in many cases we have won that cases but some cases they are still pending so we are trying to sort out so that those liabilities are not something which are to my mind are likely to create any problem for Coal India.

- Rahul Jain:** So how much was the amount paid in the Vishwas scheme.
- Pramod Agarwal:** Rs.2750 Crores but that is more like advance rather than because we feel that even that much is not due.
- Rahul Jain:** And sir we also are diversifying significantly so how much the amount expected to be spent on fertilizer projects and on the NLC JV this year.
- Pramod Agarwal:** NLC.
- Rahul Jain:** On the solar and the thermal JV that we have proposed.
- Pramod Agarwal:** The first thing is on fertilizer project in TFM we have supposed to invest something of 1040 we are trying to get some 6%, 7%. So this much like the 1000 Crores we asked for the TFM or HUR in another some 1200 Crores to 1300 Crores in that way I do not remember exact reason, but 1000 Crores in that range.
- Rahul Jain:** 1000 Crores each basically right, yes.
- Pramod Agarwal:** Not to be around that much if you want, I can tell you.
- Rahul Jain:** Yes, sure sir fine.



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**Pramod Agarwal:** And in NLC whatever we are proposing is basically for right now we have signed a contractor develop by solar projects and is what we think, but about we proposed that 700 to 800 megawatt of those projects should develop if that much develop and that then so the expenditure will be in the range of Rs.3500 Crores and even if 30% loan is taken so it will be in the range of 1000 so will be about 500 Crores is that expenditure should take place from this solar venture, but that is something which will be our regular income.

**Rahul Jain:** Sir thank you so much.

**Moderator:** Thank you. The next question is from the line of Abhinav Bhandari from Nippon India Mutual Fund. Please go ahead.

**Abhinav Bhandari:** Just wanted to understand on some of these diversifications that you are making and you said 1000 odd Crores of investment in fertilizer and 1200 Crores in HURL what could be the payback period in some of these investments and what kind of ROE, ROCs in this business that you are expecting.

**Pramod Agarwal:** We are expecting return of about 12% IRR because that much is government and in HURL government has given guarantee that, that was so of return will be given and in TFM that process is on and by the full the requirements would be booked commitment that IRR of 12% will be given so that is like fully that is the return that we are likely to get and besides in a payback period so it will be 6 to 7 years.

**Abhinav Bhandari:** I had couple of questions from the annual report sir. In both WCL and SECL for FY2020 there has been a increase in volume sold but the profitability has significantly decline and WCL has come down to about 12 Crores from 194 and in SECL it has come down to about 2500 Crores from 5600 Crores so what primarily is the reason here for this sharp decline in profitability in these two subsidiaries.

**Pramod Agarwal:** I will take SECL first, SECL the reduction has been both in profit and in sales in total quantity sale I think the total quantity sold was less by about 14 million tonne and the quantity production was less by about 7 million tonne offhand this is the figure that I am remembering so there was because of this there was a law because the total quality sold was less the second loss I expect was loss was because the e-auction was, e-auction and the total quantity was less in SECL means that e-auction quantity total quantity was less and secondly the premium was also less so all these three things combined resulted in reduction in the profit. In WCL I am now getting that there was one reason was in the last year there



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was reversal of the mines closure fund about 200 to 300, about 100 and 150 Crores or something on that mine closure fund was reversed in terms of fuel because of which and this did not happen this year because of that secondly and all the places in most of the subsidiaries my e-auction quantity reduced and the premium also reduced in 1920 compared to what has happened in 2018/2019 and because of that it has reduced I cannot quantify all these elements right now basically these are the three reasons because of which WCL happens and in SECL because that still was less and both the things were there.

**Abhinav Bhandari:** Just one last bit on this 1100 odd Crores of loans given to NLCIL so for what purpose these loans are given and is there any interest that we are charging on this.

**Pramod Agarwal:** That they have return loan, but I do not think there is any loans remaining there.

**Abhinav Bhandari:** It is there in the FY2020 annual report sir.

**Pramod Agarwal:** They have returned, and it was there on loan only because there is a loss it says that inter-corporate loan cannot be given below certain interest rate.

**Abhinav Bhandari:** But for what purpose was this loan given just to understand if you can elaborate.

**Pramod Agarwal:** Because as this NICIL has actually spending in a big way so they must have share some operational trends etc., because of that is for short-term it was given and it was taken that and they have taken only 500 Crores there was initially request for 1100 Crores 2000 Crores but then ultimately they took only 500 Crores and to has returned this is what my Director Finance is sitting with me and company secretary are informing me.

**Abhinav Bhandari:** And just one last bit on, in your initial remarks you mentioned on closure of some mines so if you can just elaborate as to what kind of timeline you are looking at and what could be the mine closure cost in these cases.

**Pramod Agarwal:** See there are 23 mines which we are going to where the operations are likely to suspended so these mines we are going to suspend their operation within means I have indicated them it will take another two, three months to close down because it cannot be done immediately but it will result in saving as about Rs.600 Crores even if I pay all the dues to the labor without taking any work from them. Closure will not cost much whatever closure cost will be there will be met from that fund that has been created so it will not impact the cash flow of the company.



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- Abhinav Bhandari:** Got it Sir. Thanks, and best wishes.
- Moderator:** Thank you. The next question is from the line of Indrajit Agarwal from CLSA. Please go ahead.
- Indrajit Agarwal:** I have few questions can you help us with the power, non-power ratio in the expected volume for this quarter and how it has changed quarter over quarter, the reason I am asking is even if I take out the incentive income or this is excluding incentive income the prices have gone down the realization so what could be the key reason for that.
- Pramod Agarwal:** You will have to repeat your question.
- Indrajit Agarwal:** Yes, in effective what was the power, non-power mixes this quarter and the last quarter?
- Pramod Agarwal:** This first quarter actually I have taken that report, actually there has been slight increase in the non-power supply in this first quarter and in the second quarter also payment but just wait in a while I have calculated that the paper is not with me right now I will give you. I will come to this question whenever that paper comes to me.
- Indrajit Agarwal:** Sure. The reason I am asking is the expected ASP even if I take out the incentive income in fourth quarter has still gone down so how should we look at SSA relation going forward.
- Pramod Agarwal:** I could not get your point are you asking about quarter one or quarter four of the last year.
- Indrajit Agarwal:** No, I am comparing quarter one of this year with quarter four last year.
- Pramod Agarwal:** So, we were fair comparing point of comparison.
- Indrajit Agarwal:** Expected realization.
- Pramod Agarwal:** Means per tonne.
- Indrajit Agarwal:** Yes, per tonne.
- Pramod Agarwal:** Per tonne effective realization is reduced this quarter because health wise last quarter was higher because there was a lot, e-auction thing was there and there was some premium on e-auction this time we have not got that e-auction price.



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- Indrajit Agarwal:** I was refereeing to effective only the supply agreement the contracted one.
- Pramod Agarwal:** There also the realization has gone down.
- Indrajit Agarwal:** And affected one would have remained constant now I do not have that figure that would have remained constant because we the supply, fuel supply agreement is at level and that has not changed.
- Pramod Agarwal:** Sir my second question is in can you help with the receivable number for June quarter.
- Indrajit Agarwal:** The receivable at the end of last quarter that is March end was Rs.17800 Crores by June and it was Rs.23349 Crores at another stand it was 21000.
- Pramod Agarwal:** And last question the payment or the advance that is paid for the Vivad se Vishwas which has happened in the June quarter.
- Indrajit Agarwal:** No, if they were done in March.
- Pramod Agarwal:** March quarter so it is reflecting in the account in March figure.
- Indrajit Agarwal:** Yes, that is all from my side.
- Moderator:** Thank you. The next question is from the line of Kamlesh Bagmar from Prabhudas Lilladher. Please go ahead.
- Kamlesh Bagmar:** Sir I have one question on the part of this e-auction so how much volumes we are targeting in this year and like say in this quarter the realizations have committed as we have pointed out but given the like say because these all e-auction realizations are led impact.
- Pramod Agarwal:** Just repeat your question because it was long.
- Kamlesh Bagmar:** Sir I am saying that in e-auction how much quantity we are targeting for this year and secondly what e-auction realizations would be there for this year because the in first quarter it has fallen but now with differentiation which we have that base prices are low or kept that at low level so the impact is going to come in the coming quarters so what realizations are we looking at are they going to further fall from the Q1 results.



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**Pramod Agarwal:**

The thing is we target to do about 20% of our total production on e-auctions we wanted, we aim at selling at least 20% so about 13 to 14 million tonne we should be able to sale on, out of 650 about 130 to 140 million tonne we should be able to sell on this e-auction and first quarter we were selling all the product at 0 premium almost so effectively 1% or 2% came and in certain products only that is the CCL some pressure in mines we got some premium but in ours I am told that there was a premium of 9% that we realized and in coming months I think that it will further increase it is very difficult for me to quantify or to give any number to this because we do not know see how the market is likely to behave in September we will review if the market is positive we will try to increase the base price but giving a particular number that how much we are likely to achieve will be difficult at this point of time.

**Kamlesh Bagmar:**

Sir lastly on this your first mile connectivity so can you quantify like say how much quantity or how much percentage of your volumes would be through first mile connectivity or like say what projects are coming up in that particular segment because if that could be a big improvement this store as well for the company so can you give us the timeline or the demographics going forward like say how the what safe would be there for Coal India in terms of like say in the next two to three years on that particular project side.

**Pramod Agarwal:**

I had mentioned that today we are transporting only 150 million tonne through these projects, trough first mile connectivity if all these projects which are 35 plus 14 that is 49 has gets completed about 600 million tonnes of the coal will start moving from there and we are targeting by 23, 24 all these projects would get complete. About this 35 projects on quite few that all these projects will get completed by the calendar year of 2023 because we have already put then to tender and I am quite sure that by the end of this year means by December or, no not by December but by March all the work will start in all these projects of 35 projects so that taking constructing period of two years and maybe some slippage here and there they will definitely gets completed by 23 December, so by 23 December if this first phase of this 35 so 650 minus 150 are about 406 million tonnes extra that is 550 million tonne of the whole will start getting transported through them.

**Kamlesh Bagmar:**

And sir lastly how much saving can we expect from these projects because there would be lot of have some account of this because this mechanizing menu is not there so roughly around like they based on some CAG reports and all that that roughly around 9% of the material in coal India gets for washed out because of this non-mechanized mining. So how much you had improvement, or the savings can be expecting.



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**Pramod Agarwal:** See I am not quantified the moment on this that all these projects are likely to give me a further IRR of more than 12% to 15% that much we have check, about theft I there will be some reduction in theft that the theft is taking place in particularly in one or two projects and which are not the highest coal producing area of the state of the Coal India because in Orissa, in NCL or MCL or SECL which are the largest coal producing area there is hardly any theft. So on account of that there will be some changes in CCL and the CCL but it would not majorly affect this quantum there but we will get return of more than 12% IRR that much we have quantify we have seen and secondly it will have a much larger impact on the environment and this environment impact will help us in getting further EC etc., and will create a much better image of the company that is much more critical in FMC rather than getting money out of it. But secondly the most important thing is if we produce and do not have any evacuation infrastructure how the whole leads is deciding so from that point of view also to have a huge evacuation, we need this project. Thirdly the impact that my fitting is mentioning is the quality of the coal will definitely improve because of this because problems the losses that we are incurring in overloading and under loading charges because in this all this timers there will be pre-weighed coal that will be loaded on the wagon so Rs.1000 Crores we are paying either under loading charges or overloading, overloading has been paid by the customer and we are paying under loading charges more than 1000 Crores means I do not have exact figure but then substantial the money is paid on this charges which can be state either on a by the customer.

**Kamlesh Bagmar:** Thanks a lot Sir.

**Moderator:** Thank you. The next question is from the line of Ashutosh Chaubey from Centra Advisors LLP. Please go ahead.

**Ashutosh Chaubey:** Sir I have three questions regarding this, first is like you mentioned that mines are being closed down so I would like to know is there any new mines coming up that will be allotted to Coal India from the government what is the procedure for getting this new mines if you may just shed some light on it.

**Pramod Agarwal:** See we have got **(audio cut) 43:15** so as of now we do not see any block allocations at the two front one is we ourselves are doing this projects like mentioned that there are 51 projects, it is more than Rs.500 Crores each or in mines division more than 3 million tonne each. So these mines are there and they are completed they will in lot of work besides we have identified 15 mines which we will give on MDU mode and those 15 mines are likely



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to give us the production of 160 million tonne at the peak rate capacity this thirdly there are many mines at which we are not operating at the optimum level so we are trying to include the production from those mines and increase their EC clearances once they are achieved so that those are the mines and which we can increase our production. So, we do not require as of now new blocks allocation from government of India.

**Ashutosh Chaubey:** And my second question is with regards to capex I would just like to know out of the total capital expenditure that we incur manually how much goes towards maintenance capex and how much goes towards expansion and growth.

**Pramod Agarwal:** See maintenance capex in our parlance is called revenue expenditure that is not counted in capex.

**Ashutosh Chaubey:** So, the total capex that you provide in the annual report or in the quarterly results is totally towards expansion and growth right not maintenance.

**Pramod Agarwal:** There is some component of replacement, some of the machineries are replaced by new machineries then there is a replacement that is counted as the maintenance capex but the maintenance as such is taken as revenue expenditure.

**Ashutosh Chaubey:** Sir my third question is on a little conceptual question regards to this OBR provisions could you just help me understand what exactly is this OBR provisions and why do we provide such provision.

**Pramod Agarwal:** See in every mine it is assume that it is not assume it is calculated means so it is in the project report it is clearly defined taking into account geological condition the way the scheme is dipping or the what is the angle of the scheme etc., that how much totally OBR will be removed to produce that much of the coal support in the mine it is calculated by the ex amount of this ex amount in tonnage will be produced and while amount in cubic meter will have to be removed so why divided by ex is taken as OBR OB remove is stripping ratio which is called stripping ratio, that is in initial stage of the mine and in certain circumstances when the production has to be run but and there is not sufficient this OB removal takes place then what we do what happens that the anvil required to maintain that proper mining condition is not followed and in certain process this rules etc., has keep as radiant so less amount of OB is removed, and more about of scale is removed these are the two factors but the main factor is this as the mines grow own the OBR requirements increases because getting of the film more OB is required to be, so in an initial stage lesser



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amount of OB is removed so if from the average less amount of OB is removed that much amount of based on the coal abstracted that much amount is provided in the books as OB removal research so that whenever when after five years or six years then that is become wider then perhaps more OB will be removed at that time profitability does not get adversely affected and at that time the company does not come in to the office.

- Ashutosh Chaubey:** Sir one last question with regards to as we know that the captive miners must pay some amount of premium on each coal that they produced so is it that CIL will also pay some amount of premium to the government.
- Pramod Agarwal:** No, we do not pay premium that...
- Ashutosh Chaubey:** Premium or royalty anything sir like anyhow.
- Pramod Agarwal:** Everybody must, what the premium you are talking about is an extra royalty that the buyer's miners are required to pay, we are not bring that revision.
- Ashutosh Chaubey:** So that is only for the captive miners' right.
- Pramod Agarwal:** That is for captive miners and that is largely to come for the commercial miners also.
- Ashutosh Chaubey:** Okay so Coal India is out of that per view.
- Pramod Agarwal:** As of now it is there yes.
- Ashutosh Chaubey:** Okay sir thank you that will be helpful thank you very much.
- Moderator:** Thank you. The next question is from the line of Vineet Maloo from Birla Sun Life Asset Management. Please go ahead.
- Vineet Maloo:** Sir just wanted to know out of the total expansion project that we are undertaking how much money is being spent on Greenfield projects and how much money is being spent on Brownfield projects in terms of expansion of listed mines.
- Pramod Agarwal:** Right now, I do not have that figure. So we are totally I can say that in next seven, eight years you will be spend something like Rs.70000 Crores on this total projects but this



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distribution depending on how much coal is required is that coal is not required then that others expenditure will come down but this distributed amount I do not have right now.

**Vineet Maloo:** Do you have the flexibility to calibrate this expenditure depending on coal demand.

**Pramod Agarwal:** The coal demand is not there then what will we do.

**Vineet Maloo:** I mean that is what my concern is I was coming to that I mean we are seeing globally coal demand is actually facing lot of hurdles and actually coming down in all those geographies right and if we invest lot of money right now especially Greenfield projects take long time to come online and take lot of capex also what is the kind of pay back they are offering me. So, my intension is there to understand between the two kinds of projects what the difference in payback period is.

**Pramod Agarwal:** Any project that see either expansion project or wind field project we see that the IRR is not less than 12% and most of the projects that we are doing and also the most of the projects at we are doing in SECL and MCL that IRR is very high and the payback period will be 2 to 3 years in certain cases that is so high but then there are certain closures in which the IRR is 12% to 13% or 14%, 15% but the actual capital thing will depend on how the demand comes, suppose there is no demand and will not spend money on new projects.

**Vineet Maloo:** Maybe I can connect with you on office later and get the details sir.

**Pramod Agarwal:** Yes, Company Secretary will connect, you can connect with Mr. Vishwanathan and he will just breakup. Most of that projects that I was talking about this 51 projects which are KBR projects in all this most of this projects maybe about out of 51, 35 to 36 are already producing mine it is not that they are not producing anything they are incomplete projects were the main projects but to inform you further that we have planned that more projects to be taken which have not yet started.

**Vineet Maloo:** And sir my next question is on do we have major mining leases coming out for renewals and what is the kind of response the state governments are having for those when you have seen for other mining companies especially CAC mining companies state government seems to be asking for last three months for renew of mines.

**Pramod Agarwal:** See the coal situation is completely different we acquire land under CD act coal getting area act and in that act we will give concept of leasing we stays once the land has taken over by



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the central government it gets listed without any encumbrances and it thereafter the rest is then in the coal company so we are getting miles to that mechanism and in that mechanism there is no concept of leasing that is our perpetual property so we do not take any lease from the state government whatever royalty we pay is actually amount equal to royalty it is not exactly royalty so these are the technical division but then new concept of leaving of the mines on the state government for Coal India.

**Vineet Maloo:** So, the mining right has not on a lease basis I am not talking on certified sir I am talking on the mining concession.

**Pramod Agarwal:** Yes, you are right it is not on the basis of lease it is basically that property and the coal they delay that, that vested we do not take surface right also it is listed in us and that is for perpetuity.

**Vineet Maloo:** And that is specific to Coal India.

**Pramod Agarwal:** That is specific to any coal mines given to any government company.

**Vineet Maloo:** Okay understood sir, thank you so much.

**Moderator:** Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.

**Rakesh Vyas:** I have few questions, first can you just throw some light on your medium-term strategy around this closure of unviable mines so as you indicated 23 mines is what you have started with, can you throw some light what is the plan for next two, three years around that have you worked out any strategy.

**Pramod Agarwal:** See there are two, three concepts that we are working on we have already closed down about some 80 mines in the last four, five months it is not something that is new that we are target so 23 minus we are closing down maybe in these mines one, or two or three mines the subsidiaries may come up and tell that they are going to make it viable by increasing the production in those mines so we will exclude those mines it is not that mines closure is, but these are the mines in different lines these are the mines which are producing less than 50000 tonnes per year and secondly these are the mines in which even if you start the production and keep on saying delivers all the dues even then we will save lot of money, next year we are planning that we will identify mines is 1 lakh tonne so there is a plan we



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will try to reduce the cost but the basic point is the whatever losses means loss in production is happening there we should compensate by increasing production in other mines. So I would not say that to tell you how many mines we have identified right now but we have taken a stock of it, there are many mines in which values in heavily we safely were underground mines we are working on them either we will improve their profitability either we will improve their productivity and increasing their production so that the losses per tonne were substantially reduced or we will find some strategy to do something so that our losses can be in underground mines that has reduced.

**Rakesh Vyas:**

My second question is around your earlier comments in the previous calls related to reassessment of OB by doing the extensive economic feasibility steady of mines etc., to determine how the OBR provision should look like. So, if you can just throw some light around that or have, we got impacted because of COVID if you can give some color.

**Pramod Agarwal:**

Yes, we are working on that we have issues some we have cleared some things today only in which the some OB calculation will further improve means some extra cost etc., we were taking in already we have reduced that secondly if the mines are if there was some special geological condition etc., pears can get in the subsidiaries can do at a smaller fair we will review that quickly at a necessary time period and the third thing was 1 million tonne what we have been driven then the another thing we are working about that when the expansion of the mines come then at that stage what should be the formulation that we could not conceive today but within 10, 15 days we will do that also before the end of the September but most important thing is what is beneficial for the company we have to take into account not so in a short-term, long-term the long-term solution is to improve our OB removal factor, if we whatever OB removal is if I like in the last quarter we did lot of OB removal and actually there was the write back of the OB so we are doing rather than increasing the OB provision so actually there was a reduction of 250 Crores, about reduction of some Rs.1100 Crores on OB, so if this keep on this thing some maybe we will not be able to write-off 30000 or 40000 Crores which is there but that is working on that is more critical because that happens that helps us in both the things first thing we can ramp up the production whenever required and second is because the proper floats etc., remain then so the extra note material or the foreign materials which gets into the coal will not happen and hence it will improve the quality so we are working on both the front we have made certain provisions which will reduce the provision and at the same time we are working continuously on that how to do it and secondly we are trying to improve our OB removal so that the quality and quantity both improves tremendously if you see in t last four years our



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OB removal has remained static at the level of 1100, 1200 type despite the fact that the production has increased from 500 to 600 or even more now OB removal has remain constant which is not a very healthy indicator so we are working on it and this is where we have kept a target of about 1500 million tonne removal we are thinking about 25% to 30% jump.

**Rakesh Vyas:**

And my last question is around if you look at the non-power sector effectively lot of them was started to ramp up manufacturing etc., so and we were planning to have large proportion of import substitution across both power and non-power so if you can throw some light as to on that status of the same and what is the target for this year and next year.

**Pramod Agarwal:**

I will request Director Marketing because he has got exact figure.

**S N Tiwary:**

Thank you for asking this question, Government of India has given us the mandate of substituting 100 million tonnes imported coal for overall country for NRS we are planning more than 75 million tonnes because the power also is our had imported 22 million tonnes of coal for blending so that is why I am saying more than 75 million tonnes for NRS sector we are trying to give coal as per the requirement which can match with in terms of each value what they are importing we are trying to give it from places where they will try to have the score for example from HUCL there is a field for judger from ECL where we have got coal with a high heat value of say 5000 to 5500 kilo calories and till date we are on a positive side almost 35 to 40 million tonnes we have done something for a blending of coal we had gone into giving them quantify, that means assured quantities in addition to what I have told you right now the fuel supply agreements were designed in a way where 10% of the annual contracted quantities were to be imported we are now taken this on us and we will be supplying domestic coal for that 10% also for hinterland and for coastal plants there was a provision of 30% which was to be imported we are also taken into us that we will supplying that 30% to the coastal plants and this has been approved by standing linkage permitting and we are working on that and we are sure that we will be keeping the mandate of Government of India. Thank you.

**Rakesh Vyas:**

So is it fair to assume that this kind of target at least would be achieved by next fiscal in terms of physical delivery of the coal.

**Company Speaker:**

Yes definitely.

**Rakesh Vyas:**

Great, helpful thank you so much I will get back in the queue.



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- Moderator:** Thank you. The next question is from the line of Gopal Nawandhar from SBI Life Insurance. Please go ahead.
- Gopal Nawandhar:** I had a question on the cost per tonne I recollect if you have mentioned 1360 per tonne cost.
- Pramod Agarwal:** I think yes 1360.
- Gopal Nawandhar:** So how do we calculate this because if extra of OBR if we see the cost is around Rs.1096 per tonne.
- Pramod Agarwal:** OBR Rs.1296 per tonne, no.
- Gopal Nawandhar:** No, no tat is the OBR you have mentioned the extra OBR right.
- Pramod Agarwal:** Extra OBR nothing is like that as made it for the total cost in the sense that whatever the expenditure that we incur...
- Gopal Nawandhar:** So, include depreciation and interest also or what.
- Pramod Agarwal:** All these things.
- Gopal Nawandhar:** So I was just compelling new acts of depreciation and other stuff so if I see the cost actually year-on-year has gone up and excluding OBR obviously and the large portion is even because of contractual expenses so that cost per tonne I now it would not be a valid way to calculate but the way we calculate every quarter is that Rs.291 per tonne is the cost in this quarter versus there has been 243 in the same quarter last year and if I recollect the initial discussion which you had during COVID time we suggested that these costs are like contractual cost are more variable kind of cost rather than fixed kind of cost so can you just give some light on this.
- Pramod Agarwal:** I am unable to understand your question, I stand by what I said that contractual cost is mainly variable cost and when I say that 1360 is the cost of coal production you can pull everything and the depreciation incurred everything we will have to see any interest per tonne whatever revenue expenditure is taking place we see. So, whatever to the contractual cost etc., you are talking about I am unable to understand get what you are saying...



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- Gopal Nawandhar:** So, as we are still getting include so as what we had is basically, we are dividing the contractual expenses with the volume...
- Pramod Agarwal:** Hold on, just a minute, I our major expenditure is basically on our employees.
- Gopal Nawandhar:** Yes, so that I think is not meant with the production so that per tonne obviously will be higher to double your production.
- Pramod Agarwal:** Strictly higher than what it was our employee cost also has come down means now we are now 2% but that it has, so per tonne that it has increased because from last compared to the last the same quarter last year the production has been less, but the contractual cost otherwise overtime and some other cost which we could control we have reduced and because of that it has come down.
- Gopal Nawandhar:** So just on contractual cost only so if I calculate the Rs.291 per tonne in this quarter versus 243 in the same quarter last year.
- Pramod Agarwal:** But contractual cost will include also the extra OB that we have removed when we calculate the cost the we because OB adjustment takes place automatically in that OBR removal possibly so because we have removed extra OB that much provisioning we have reduced from the balance sheet and that much we have taken out from there so that will not be that counted in profitability or means cost calculation.
- Gopal Nawandhar:** So how much is that amount Sir?
- Pramod Agarwal:** I would not be able to tell you offhand but I will tell Mr. Vishwanath to give you that figure but offhand I understand about Rs.1100 Crores of OB adjustment is that positive then while instead of provisioning we have reduced that withdrawn amount.
- Gopal Nawandhar:** So that comes under OBR head or contractual expenses Sir?
- Pramod Agarwal:** See when this hold a contractual expenditure it includes as the expenditure, it is not given in isolation as coal removal, because there are many contracts which are contractual thing and it is a proposed thing so that this will be difficult to calculate at what time if we are removing OB is beyond the limit that is gets for it and that is not taken into calculation of cost of production.



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**Gopal Nawandhar:** That was my questions. Thank you, Sir.

**Moderator:** Thank you. The next question is from the line of Vineet Maloo from Aditya Birla Sun Life Asset Management. Please go ahead.

**Vineet Maloo:** Sir this is a follow up from one of the previous participant's question when you are trying to replace and substitute imports into the country so basically there will obviously be areas where it is not viable for us to send material right because of the freight cost and etc., and if you want to compete with cheaper imports today and it would not be fruitful for us to do that right. So even when you would still pursue this target of eliminating imports completely?

**Pramod Agarwal:** There are many areas in which where you can easily substitute basically when we talk about import substitution and demand in the country last year or the year before that it was not the problem of demand, it was a problem of supply. Many of the consumers were importing not because they were getting cheaper coal from there, because they were not CIL was unable to meet that demand. So in the eastern sector also where the things are located there are many sponge iron plants there are many cement plants which were importing so we are trying to target them and to provide on higher quality of coal which is available in ECL or some part of CCL or SECL which will meet their demand so we have identified that their coal of better quality that is be it or better that we may try to get to another sector because there we get 20% of stuff in cost also and secondly that help in substituting the course of this import also and secondly we are trying to ramp up production in WCL which will need lot of demand in western sector as well so we are working on this strategy so that we are able to meet the demand international market we mean that will not remain as subdued as it is now but coal prices in India not likely to increase tremendously in coming months so at that point we will definitely go to meet them for this whatever demand is prevailing and what we are targeting is only 100 million tonne out of about 170 and 180 and 240 tonnes but out of 240 tonnes 52 million tonne is non coking coal which we are not targeting but then out of that 200 million we are targeting only 100 million tonne and in that 100 million tonne again whatever we supply 100 million tonne that will be only falling to about 80 million tonne of imported coal because imported coal this will be certainly slightly higher but if we supply at lower cost and we are meeting the demand because in the central part of the country the transportation cost of the imported coal will be more than the transported coal of our coal so we are getting this discount and as there is somebody had asked what is the percentage that percent of this has increased slightly within April to August when most



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of the NRI sectors was not operating thus whereas the power sector was operating the demand our supply percentage to another sector has increased to 23% from what 20% last year in the corresponding period.

**Vineet Maloo:**

So sir just to understand you clearly when we are comparing our prices on delivered to the plant basis and rise for the customer we were fully competitive whenever let us say coal prices normalize currently coal prices is around \$50 for new API coal called coal etc., but just we were to assume that coal prices were around \$50, \$55 we believe that our prices deliver to customers plant only compared it is adjusted for NAR travel effect value of an NAR business which is what you are saying and we do not lose any profitability value in that.

**Pramod Agarwal:**

We would not lose any profitability value wherever we lose see we cannot target to deliver coal to some plant located at the ports of South India or Western India there we are not trying even to go there but rest of the India if there are plants in the northern country where they were taking a lot of coal for blending those plants will not take from they will not take any coal now from other countries they will take coal from CIL also only so all this there will be exclude some areas that we are targeting on a 100 million tonne out of 200 so that should be possible.

**Vineet Maloo:**

Understand sir thank you so much.

**Moderator:**

Thank you. The next question is from the line of Pinakin Parekh from JP Morgan. Please go ahead.

**Pinakin Parekh:**

Sir first question is can you give us an update on the receivables situation how it has trended what the total receivables are and what is the outlook for receivables in the second half of the year.

**Pramod Agarwal:**

I had given this for reply earlier also, so receivable at the March end was 17800 at June end it has increased to 23000 and in August end it is 21000. So in July and August we have seen slight decrease in this whole, this will to my mind from October onwards it should further increase, it should further decrease and I cannot tell you exactly that what would happen at March 2022 but we will try that at March 2022 the receivables are not higher than what it was at March 2021.



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**Pinakin Parekh:** Sir second question is that to push through coal volumes the company had made more market favorable conditions the trigger level of supply of coal for power producers was increased to 80% perform and incentive was raised for the first half increase the uses of LC for power and rest with consumers and a lot of things and most of it was still the second quarter of FY2021. Now sir as the inventory at the power plants reduced how are each one of this being reversed or will these conditions remain in place for the second half of FY2021 as well.

**Pramod Agarwal:** See I cannot tell you exactly what we will be able to do because we will resume third week of September and we try to take that certain things but whether we are able to take that everything it will depend how the demand pans out in September because to stocking the coal and having a very high coal stock is more damaging to the company rather than giving all this small concession.

**Pinakin Parekh:** So just to clarify sir has there been any movement positive movement in the e-auction premium at this point of time in September versus what the company has seen in the June quarter or broadly it remains e-auction prices and realizations in the premium to SSA coal remain even today of when they were in the first quarter.

**Pramod Agarwal:** In first quarter there were hardly any premium they were trying to push in August we got a premium of 8% and I presume that it should increase further, the material cost takes place it is not that there is heavy rainfall in September, October and November then the demand will get reduced.

**Pinakin Parekh:** Understood thank you very much sir for this.

**Moderator:** Thank you. The next question is from the line of Nishit Gogri from Prudence Capital. Please go ahead.

**Nishit Gogri:** I wanted to know what is the dividend which can be expected for this financial year.

**Pramod Agarwal:** Very difficult question but my all attempts will be to maintain at least what we did last year, but it will be, so we cannot say anything but and...

**Nishit Gogri:** Sir the reason actually why I was asking this if you just look at the last five years FY2016 we gave a dividend of Rs.27 FY2017 we gave a dividend of Rs.23, then FY2018 we gave a dividend of around, just one minute...



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- Pramod Agarwal:** I have got those figures do not worry.
- Nishit Gogri:** Yes, it has been reducing every year so I just wanted to know at least we can maintain the last year dividend what we have given of Rs.12.
- Pramod Agarwal:** I told you that it is very difficult for me to commit anything, but we will try to maintain that level.
- Nishit Gogri:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Gopal Nawandhar from SBI Life Insurance. Please go ahead.
- Gopal Nawandhar:** Just wanted to understand the revised target you said 660 for production or offtake.
- Pramod Agarwal:** Yes, that is right.
- Gopal Nawandhar:** So if you just calculate this requires 65 million tonne monthly run rate for the remaining period of this financial year how confident are we in terms of producing the same and looking at the belong environment do you think we will be even it is produced we will be even to submit.
- Pramod Agarwal:** See how the demand pans out it will be difficult but you have to see the last year's last quarter production it was 405 million tonnes so producing something extra in that quarter from 205 million tonne will not be difficult similarly if you see October production it was in the range of 60 million tonne so that is there. So whatever target we have fixed we are quite confident about achieving those targets may be 5 million tonnes here and there that is a different story if the demand is there if there is no demand then nothing can be done but I just look as the demand will b there because we are looking at replacing the imports so if the country there is not negative job and if there is some improvement in the GDP growth we will definitely be able to achieve this target.
- Gopal Nawandhar:** And when we talk about this 100 million tonne of imports substitution so we are considering the only places where we can substitute because there will be lot of importers imported this plant, right.



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**Pramod Agarwal:** At certain places which where we cannot compete with imported coal so there is no point in targeting them there are certain plants in which they can done only on imported coal so there we cannot target those plants.

**Gopal Nawandhar:** Thank you sir.

**Moderator:** Thank you. The next question is from the line of Amit Dixit from Edelweiss. Please go ahead.

**Amit Dixit:** This question is regarding capex so we have a target of 10000 Crores of capex for this year I just wanted to know that how much has been incurred in Q1 and how much will be I mean out of total 10000 Crores how much of that do you intent to incur in land acquisition and how much in equipment procurement.

**Pramod Agarwal:** I did not have right now as that number, but in till August we have spend something like 3000 Crores and in September we think that another 1000 Crores we will spend so by achieving this target of 10000 Crores should not be difficult this year about land and about 30% of that will go in land and about 25% to 30% that is in the range of 3000 Crores will go for machineries and equipments.

**Amit Dixit:** That is very hopeful. Thank you, Sir.

**Moderator:** Thank you. The next question is from the line of Rahul Jain from Systematix Shares. Please go ahead.

**Rahul Jain:** Sir basically for the cash flow we have improved since March or do we see that been put out am I asking this question because of our cash has a spend of March is around 20000 Crores there was the provision is around 45000 Crores so you have been significantly below the provision for OBR so do we think that the provision is kind of just for face value.

**Pramod Agarwal:** No, no it is not for face value see in certain years we have given lot of dividend the stress has to be in, so there is slight and secondly our receivables were very high at March end also there was a receivable of Rs.18000 Crores so with that it balances out we assume we are trying hard to step back that thing but then there is no connection between provisioning and cash in the company.



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**Rahul Jain:** Sir so basically, I am trying to say that it is only required when you have cash right it means it is not compulsory to maintain cash to the extent of provision that you have.

**Pramod Agarwal:** No, no, it is not required.

**Rahul Jain:** And sir with respect to on the SSA pricing so sir do we think that because I just want to coming just from the amount of inventory that we have so do you think this has reduced the SSA price you can seeing more liquidation of your inventory.

**Pramod Agarwal:** I do not think that will affect because we are supplying to the coal most of the power plants who can take coal from us are taking coal they did not have any answer in it so they cannot import the coal most of the power plant but now power plants who are importing they will import whether they reduce the cost or not because they are based on certain technical parameters where our coal are not sufficient, it might change some NR effect means 1% here and there but then that is not going to substantially alter this whatever...

**Rahul Jain:** Sir why I am asking this is because we are seeing increase in competition from solar and going forward sir is there hardly anybody setting up any thermal plant so essentially we are running in a tough situation in that respect so if we become more competitive on pricing which has only help our longevity, right.

**Pramod Agarwal:** See prices can I do not know what will happen two, three years down the line because by that time our employee cost will reduce but one thing effect towards is to the coal India also that we have to improve our efficiency and we have to reduce our cost also they cannot we cannot take cost for some grating but there are certain condition which we cannot change so we are within those parameters boundary conditions we are trying to change whatever we can but coming to solar as of now it would be difficult to say that solar is getting certain benefits like we have to support solar for having 24R electricity solar alone cannot provide that for so in India the competition will definitely increase but for coming many years at least for ten years coal will be the main source.

**Rahul Jain:** Sir but increasingly if we are priced out then it really we generate much lot less cash for our incremental output so we kind of on a slippery float front, so and that is where I am coming from rather you would want to reduce your SSA price and be more competitive beforehand remain the market sources need to reduce SSA price?

**Pramod Agarwal:** At this potion of time, I do not think there is necessity of this.



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- Rahul Jain:** Right, thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.
- Pulkit Patni:** Sir my questions have been answered. Thank you.
- Moderator:** Thank you. The next question is from the line of Indrajit Agarwal from CLSA. Please go ahead.
- Indrajit Agarwal:** This is regarding the wage revision. Sir five yearly wage revisions are now given the employees is due from June next year is that correct and are we progressing on the negotiations already or is it till time.
- Pramod Agarwal:** July 21 is the date for revised wage revision days.
- Indrajit Agarwal:** And when did the negotiations sir.
- Pramod Agarwal:** I think March, April it will start.
- Indrajit Agarwal:** Do you think given the current market condition we are seeing just tell me the wage revision as we had seen in the past few incentives we will be able to take price increases to offset there or will it be think to have profitability?
- Pramod Agarwal:** It is a very difficult question to answer right now. Let us see the market conditions are very tight one cannot expect that the wage revision will be in the same line as last year but that will be very difficult for me to make any comments at this stage.
- Indrajit Agarwal:** Thank you so much.
- Moderator:** Thank you.
- Pramod Agarwal:** How many people are left, or should we close?
- Moderator:** Sir we do not have anyone in the queue. Sir would you like to add any closing comments.



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**Pramod Agarwal:**

The only comment that I can make that we are working very hard on ESB front on which coal companies always get a bad name and I hope that in coming months that is one thing on which we will see a substantial improvement. Thank you very much for attending this concall and thank you for everybody for asking the questions. There are one or two questions which we could not reply right now, it is basically the component that we have spending on Brownfield and Greenfield plant projects we will send that across. Thank you very much.

**Moderator:**

Thank you. On behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us and you may now disconnect your lines.